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INFO RUEHBJ/AMEMBASSY BEIJING 3359
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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 001336

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TAGS: [ECON](#) [EINV](#) [SENV](#) [PREL](#) [JA](#) [CH](#)
SUBJECT: METI NOTES CHINESE FLEXIBILITY IN HU VISIT RESULTS

Classified By: EMIN Robert F. Cekuta. Reason: 1.4 (b,d)

11. (C) Summary: The various economic agreements concluded as part of Chinese President Hu Jintao's recent visit to Japan revealed substantially greater willingness on Beijing's part to meet Japan's requests than previous exchanges, according to an official of Japan's Ministry of Economy, Trade, and Industry (METI). Most important had been the Chinese statement appreciating Japan's sector specific approach to climate change. Agreements to advance technology cooperation, to launch a joint study on legal issues surrounding trade and investment, and to facilitate small and medium enterprise operations were limited in scope, but met key Japanese concerns, at least in part. The desire of some senior Chinese officials to secure demonstrable outcomes from the visit, as well as the GOJ's low expectations, probably smoothed the way toward concluding the various agreements. End summary.

Chinese More Willing to Compromise as Visitors

12. (C) The Chinese are more likely to give concessions when they are the visitors rather than the hosts, METI Northeast Asia Division Director Shigeaki Tanaka told econoff May 13. (Other aspects of the Hu visit reviewed septel.) Tanaka theorized senior Chinese government officials accompanying President Hu Jintao on his May 6-10 Japan visit, such as Commerce Minister Chen Deming, had a strong interest in producing demonstrable achievements from their participation in the visit even though the Chinese

president himself may have been content purely with atmospherics. Hu's visit, Tanaka said, had produced more substantial outcomes than PM Fukuda's December trip to China.

Fear of G-8 Criticism May Underlie Climate Change Concession

13. (C) China's acknowledgement of the Japanese-advocated sectoral approach in the joint statement on climate change was the most significant outcome of Hu's visit, Tanaka stressed. In December, the Chinese side had rejected any reference to the sectoral approach in the joint statements from Fukuda's China visit. In contrast, the Chinese had proposed the language on the sectoral approach in the documents for Hu's trip to Japan. Tanaka speculated Chinese leaders, despite their dislike of the climate change issue, are looking to achieve a meeting of minds with the G-8 countries prior to the July summit to avoid criticism from the major economic powers. He indicated the sense in the GOJ is that China could be receptive to proposals for cooperation on climate change and suggested the U.S. might have additional traction with the China through the ten-year cooperative framework on energy and the environment launched under the umbrella of the U.S.-China Strategic Economic Dialogue.

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Japan Looks to Limit Technology Cooperation

14. (C) Similarly the memorandum of understanding (MOU) signed between METI and the Chinese Ministry of Commerce (MOFCOM) on facilitating trade in advanced technology signaled a greater Chinese willingness to concede than in earlier exchanges, Tanaka noted. In advance of the Hu visit, the Chinese side abandoned its effort to secure Japan's agreement on a list of technologies on which the two countries might cooperate, a proposal METI had rejected as unacceptable to Japanese industry. The only industrial areas where Japan would agree to such cooperation, Tanaka stressed, were energy conservation and environmental protection. These two items therefore became the centerpiece of a separate MOU signed between METI and the Chinese National Development and Reform Commission (NDRC).

15. (C) For its part, METI hopes to use the working group established by the MOU with MOFCOM to press China for greater protection of the intellectual property of Japanese manufacturers operating in China. Tanaka believed the Chinese will want to have the working group, which will be chaired at the director-general or deputy director-general level (assistant secretary or deputy assistant secretary equivalents), meet several times a year as a means to highlight their agenda of gaining greater access to Japanese technology. He indicated, however, Tokyo would likely seek to limit the sessions to the one per annum stipulated in the MOU.

Legal Study Indirectly Responds to Japan's Concerns

16. (C) The agreement between METI and MOFCOM to launch a joint study on legal elements related to trade and investment also satisfied a previous Japanese request. METI Minister Akira Amari had

proposed such a study focusing on problems in China's administrative procedures at last December's inaugural session of the Japan-China High-level Economic Dialogue (HED) and had been rebuffed by the Chinese. To make the proposal more politically palatable in the run-up to the Hu visit, however, the Chinese side had suggested broadening the nominal scope of the study to include all laws related to trade and investment so that it is less obviously centered on the Chinese government's administrative powers. They also agreed administrative law and related measures would be the first element of the joint study, thus fulfilling Amari's request in substance.

17. (C) Tanaka stressed the result of the exercise would be a study, not an agreement, with no guarantee of consensus between Chinese and Japanese participants. Although the agreement to initiate the study states the results, for which there is no stated deadline, will be reported to high levels of the two governments, Tanaka conceded those conclusions might

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not be made public. The leaders of China and Japan are the target audience, he indicated.

Significance of SME Agreements Limited

18. (C) Two agreements emerging from the Hu visit to facilitate operations of small and medium enterprises (SMEs) between METI and the NDRC and MOFCOM, respectively, are relatively meaningless, Tanaka observed. The agreement with NDRC simply codifies existing cooperation between NDRC and METI's Small and Medium Enterprise Agency. It probably reflects, Tanaka continued, the desire of NDRC's Small and Medium Enterprise Bureau to shore up its bureaucratic position through greater international engagement in the face of Chinese leaders' efforts to downsize NDRC. METI hopes the agreement with MOFCOM, which centers on government efforts to assist SME investors in China and Japan, will help to push MOFCOM to intervene in business disputes where national-level attention is warranted, rather than leaving issues to be resolved by local authorities or affiliated organizations such as industry associations, Tanaka said.

Comment

19. (C) Tanaka strongly suggested, at least from the METI perspective, that the outcomes from the Hu visit were substantial if not particularly significant. Progress on other major issues in China-Japan relations, however, was relatively minimal. His observation the Chinese are more likely to yield to their hosts' requests when they are the visitors out of a desire to avoid going home empty-handed may have some tactical value. Nevertheless, low expectations also probably facilitated the process of reaching agreement in METI's areas of interest.
DONOVAN